

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

REPORT OF AUDIT
Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

October 2, 2018

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Whitley County School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee For School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, *whether due to fraud or error*. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Change In Accounting Principle

As described in Note 18 to the financial statements, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this item.

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, the Schedules of District's Proportionate Share of the Net Pension Liability and Pension Contributions, District's Proportionate Share of the Net OPEB Liability and District Contributions – Medical Insurance Plan and Life Insurance Plan and budgetary comparison information on pages 4-8, 50-58 and 59-60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and the Statements of Receipts, Disbursements and Fund Balances-Activity Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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The combining nonmajor fund financial statements, the activity fund statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund financial statements, the activity fund statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Marr, Miller & Myers, PSC

Certified Public Accountants

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

This section of the financial statements for the Whitley County School District ("District") presents management's discussion and analysis of the financial performance of the District during the fiscal year that ended on June 30, 2018. As management of the District, we offer readers of the financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place in the past year. We encourage readers to consider the information presented herein along with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$3,623,944 in 2018 and \$2,530,050 in 2017. This is an increase of \$1,093,894.
- The General Fund had \$38,119,165 in revenues (excluding interfund transfers), which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there were \$37,572,389 in General Fund expenditures.
- Governmental capital assets had a net decrease of \$1,479,852, and business-type capital assets had a net decrease of \$47,155 during the current fiscal year.
- The District's total debt decreased \$1,853,525 during the current fiscal year due to scheduled principal payments of \$2,400,581 and capital lease proceeds of \$547,056.
- There are two sources of pension liabilities and OPEB liabilities with which the District has to contend. The Kentucky Teachers Retirement System covers the District's professional staff members. It has analysis performed by Gabriel Roeder Smith (GRS) to determine each Kentucky school district's share of pension and OPEB liabilities for its professional staff. This debt is the responsibility of the State of Kentucky. Our allocated amount was \$156,076,827 for pension liabilities and \$10,996,000 for OPEB liabilities, as of June 30, 2018. Our non-professional staff members are covered by the Kentucky County Employees Retirement System. Under this system, the District's share of the pension liabilities was \$14,749,340 and \$5,065,720 for OPEB liabilities, as of June 30, 2018. The District does not believe these disclosures will have a major impact on their day-to-day operations or the financial health of the District. The District's bond rating is based on the State's rating so we have little control over our cost of borrowing.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, plant operations and maintenance, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 through 11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary fund is for food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12 through 20 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 49 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, general equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2018

Fiscal year 2017 government-wide net position compared to 2018 is as follows:

	<u>2018</u>	<u>2017</u>
Current assets	\$ 5,949,601	\$ 5,846,116
Capital assets, net	51,574,673	53,101,680
Deferred outflows of resources	6,290,310	3,196,181
Total Assets and Deferred Outflows of Resources	<u>\$ 63,814,584</u>	<u>\$ 62,143,977</u>
Current liabilities	\$ 3,185,943	\$ 3,754,034
Noncurrent liabilities	48,343,439	43,168,165
Deferred inflows of resources	2,099,799	445,046
Total Liabilities and Deferred Inflows of Resources	<u>\$ 53,629,181</u>	<u>\$ 47,367,245</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

	<u>2018</u>	<u>2017</u>
Net position		
Net investment in capital assets	\$ 22,784,483	\$ 22,457,965
Restricted	333,369	1,579,800
Unrestricted (deficit)	<u>(12,932,449)</u>	<u>(9,261,033)</u>
Total Net Position	<u>\$ 10,185,403</u>	<u>\$ 14,776,732</u>

The most significant change in the financial position of the District since the last audit was the increase in cash and cash equivalents in the amount of \$1,093,894 and the increase in deferred outflows of resources in the amount of \$3,094,129. The District also had an increase in total liabilities and deferred inflows of resources in the amount of \$6,261,936. These changes were primarily due to the net pension liability (CERS) and net OPEB liability (CERS) recognized in the current year. The net investment in capital assets had a decrease in the amount of \$1,527,007.

The following table presents a summary of revenues and expenditures, Governmental Funds only, for the fiscal years ended June 30:

	<u>2018</u>	<u>Percent</u>	<u>2017</u>	<u>Percent</u>
REVENUES AND OTHER FINANCING SOURCES				
Local revenue sources	\$ 6,281,752	12.86%	\$ 6,047,579	13.32%
State revenue sources	37,142,661	76.06	34,251,105	75.41
Federal revenue sources	5,258,831	10.77	4,933,227	10.86
Operating transfers (net)	150,603	.31	149,444	.33
Proceeds from sale of assets	-	-	35,490	.08
Total revenues and other financing sources	<u>48,833,847</u>	<u>100.00</u>	<u>45,416,845</u>	<u>100.00</u>
EXPENDITURES AND OTHER FINANCING USES				
Instruction	30,453,105	62.37	27,526,959	60.61
Student support services	1,502,185	3.08	1,432,553	3.16
Instructional staff	1,685,418	3.45	1,623,164	3.57
District administration	1,715,652	3.51	1,535,948	3.38
School administration	1,627,619	3.33	1,684,621	3.71
Business	874,661	1.79	745,969	1.64
Plant operations and maintenance	3,566,578	7.30	3,380,267	7.44
Student transportation	3,157,717	6.47	2,848,209	6.27
Site improvement	-	-	54,128	.12
Debt service	3,516,701	7.20	3,525,434	7.76
Community services activities	522,556	1.07	538,868	1.19
Total expenditures and other financing uses	<u>48,622,192</u>	<u>99.57</u>	<u>44,896,120</u>	<u>98.85</u>
Net change in fund balance	<u>\$ 211,655</u>	<u>.43%</u>	<u>\$ 520,725</u>	<u>1.15%</u>

The majority of the District's revenues were derived from state revenue sources, making up 76.06% of total revenues in 2018 as compared to 75.41% in 2017. Local revenue sources comprised 12.86% of total revenues in 2018 as compared to 13.32% in 2017. Federal revenue sources comprised 10.77% of total revenues in 2018 as compared to 10.86% in 2017.

The majority of the District's expenditures were for instruction, making up 62.37% of total expenditures in 2018 as compared to 60.61% in 2017. Student transportation comprised 6.47% of the District's total expenditures in 2018 as compared to 6.27% in 2017. Plant operations and maintenance comprised 7.30% of the District's total expenditures in 2018 as compared to 7.44% in 2017. Capital assets of \$602,409 were charged to expenditures in 2018 as compared to \$110,744 in 2017.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

COMMENTS ON BUDGET COMPARISONS

In Kentucky, the public schools fiscal year is July 1 to June 30. Other programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted the original 2017-18 budget with \$873,657 in contingency (2.70%).

- The District's total general fund revenues for the fiscal year ended June 30, 2018 were \$38,119,165.
- General fund budgeted revenues compared to actual varied from line item to line item, with the ending actual balance being \$11,131,484 more than budget or 41.25%. This is due primarily to recording on-behalf payments made by the State of Kentucky of \$10,570,080 that were not budgeted. When these are eliminated, revenues compared to budget were \$561,404 or 2.08% more than anticipated.
- The District's total general fund expenditures for the fiscal year ended June 30, 2018 were \$37,572,389.
- General fund budgeted expenditures compared to actual varied significantly in instruction with them being \$8,499,060 over budget. These were due primarily to on-behalf payments of \$10,570,080, which were not budgeted. When these are eliminated, expenditures compared to budget were \$1,552,154 or 5.44% less than budget.

CAPITAL ASSETS

At the end of June 30, 2018, the District had \$51,574,673 invested in capital assets. This represents a net decrease of \$1,527,007.

A comparison of the capital assets at June 30 is as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,423,339	\$ 1,423,339
Buildings, improvements and infrastructure	46,902,625	48,722,197
Machinery and equipment	3,248,709	2,956,144
Total	<u>\$ 51,574,673</u>	<u>\$ 53,101,680</u>

DEBT ADMINISTRATION

At the end of June 30, 2018, the District had \$28,790,190 in outstanding debt and capital leases compared to \$30,643,715 last year. That is a decrease of 6.05%.

FUTURE BUDGET IMPLICATIONS

The District adopted a budget for 2018-19 with \$875,000 in contingency (2.60%). Significant Board action that impacts the finances includes the funding of non-revenue extra-curricular activities, KETS matching funds, KISTA bus lease obligations, the KSBIT liability assessment and utilizing excess building fund and capital outlay monies for facility operations.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent or to Alicia Logan, Certified Finance Officer, at (606) 549-7000 or by mail at 300 Main Street, Williamsburg, KY 40769.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION
June 30, 2018

<u>ASSETS</u>	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,112,330	\$ 1,511,614	\$ 3,623,944
Cash with fiscal agent	777,061	-	777,061
Accounts receivable:			
Accounts receivable	42,738	-	42,738
Taxes – current	382,803	-	382,803
Intergovernmental – state	147,641	-	147,641
Intergovernmental – federal	478,270	25,749	504,019
Materials and supplies inventory	-	91,518	91,518
Interfund receivable	379,877	-	379,877
Total current assets	<u>4,320,720</u>	<u>1,628,881</u>	<u>5,949,601</u>
NONCURRENT ASSETS			
Capital assets, net	<u>51,214,415</u>	<u>360,258</u>	<u>51,574,673</u>
DEFERRED OUTFLOWS OF RESOURCES			
Discount on bonds, net	82,103	-	82,103
CERS – pension	4,057,886	754,576	4,812,462
CERS – OPEB	<u>1,176,898</u>	<u>218,847</u>	<u>1,395,745</u>
Total deferred outflows of resources	<u>5,316,887</u>	<u>973,423</u>	<u>6,290,310</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>60,852,022</u>	<u>2,962,562</u>	<u>63,814,584</u>
<u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	22,005	900	22,905
Interfund payable	379,877	-	379,877
Accrued salaries and benefits payable	418,285	-	418,285
Deferred revenue	243,989	-	243,989
Current portion of bond obligations	1,712,829	-	1,712,829
Current portion of lease obligations	240,223	-	240,223
Current portion of accumulated sick leave payable	99,000	-	99,000
Current portion of insurance claims payable	<u>68,835</u>	<u>-</u>	<u>68,835</u>
Total current liabilities	<u>3,185,043</u>	<u>900</u>	<u>3,185,943</u>
NONCURRENT LIABILITIES			
Noncurrent portion of bond obligations	25,527,288	-	25,527,288
Noncurrent portion of lease obligations	1,309,850	-	1,309,850
Noncurrent portion of accumulated sick leave payable	1,237,148	-	1,237,148
Noncurrent portion of insurance claims payable	454,093	-	454,093
Net pension liability – CERS	12,436,643	2,312,697	14,749,340
Net OPEB liability – CERS	<u>4,271,415</u>	<u>794,305</u>	<u>5,065,720</u>
Total noncurrent liabilities	<u>45,236,437</u>	<u>3,107,002</u>	<u>48,343,439</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION (CONTINUED)
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Premium on bonds, net	16,922	-	16,922
CERS – pension	1,532,642	285,007	1,817,649
CERS – OPEB	<u>223,640</u>	<u>41,588</u>	<u>265,228</u>
Total deferred inflows of resources	<u>1,773,204</u>	<u>326,595</u>	<u>2,099,799</u>
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	 <u>50,194,684</u>	 <u>3,434,497</u>	 <u>53,629,181</u>
NET POSITION			
Net investment in capital assets	22,424,225	360,258	22,784,483
Restricted (deficit)	1,165,562	(832,193)	333,369
Unrestricted (deficit)	<u>(12,932,449)</u>	<u>-</u>	<u>(12,932,449)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ 10,657,338</u>	<u>\$ (471,935)</u>	<u>\$ 10,185,403</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
GOVERNMENTAL ACTIVITIES:				
Instruction	\$ 32,316,835	\$ 178,998	\$ 18,419,254	\$ -
Support services:				
Student	1,575,673	-	-	-
Instructional staff	1,719,421	-	-	-
District administration	1,748,372	-	396,995	-
School administration	1,676,970	-	-	-
Business	908,015	-	127,881	-
Plant operations and maintenance	3,846,244	-	313,703	-
Student transportation	3,739,843	-	797,722	-
Community services activities	588,069	-	-	-
Interest on long-term debt	1,116,120	-	-	-
Bond premium (discount)	5,963	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 49,241,525</u>	<u>\$ 178,998</u>	<u>\$ 20,055,555</u>	<u>\$ -</u>
BUSINESS-TYPE ACTIVITIES:				
Food service	\$ 4,194,909	\$ 82,568	\$ 4,062,131	\$ -
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 4,194,909</u>	<u>\$ 82,568</u>	<u>\$ 4,062,131</u>	<u>\$ -</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 53,436,434</u>	<u>\$ 261,566</u>	<u>\$ 24,117,686</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**NET (EXPENSES) REVENUES AND
CHANGES IN NET POSITION**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	\$ (13,718,583)		\$ (13,718,583)
	(1,575,673)		(1,575,673)
	(1,719,421)		(1,719,421)
	(1,351,377)		(1,351,377)
	(1,676,970)		(1,676,970)
	(780,134)		(780,134)
	(3,532,541)		(3,532,541)
	(2,942,121)		(2,942,121)
	(588,069)		(588,069)
	(1,116,120)		(1,116,120)
	<u>(5,963)</u>		<u>(5,963)</u>
	<u>(29,006,972)</u>		<u>(29,006,972)</u>
		\$ (50,210)	(50,210)
		<u>(50,210)</u>	<u>(50,210)</u>
			<u>(29,057,182)</u>
GENERAL REVENUES			
Taxes			
Property	3,023,818	-	3,023,818
Motor vehicle	797,618	-	797,618
Utilities	1,210,335	-	1,210,335
State and formula grants	22,345,937	-	22,345,937
Earnings on investments	106,695	22,236	128,931
Gain (loss) on disposal of fixed assets	(4,358)	(27,316)	(31,674)
Other local revenues	964,288	-	964,288
Total general revenues	<u>28,444,333</u>	<u>(5,080)</u>	<u>28,439,253</u>
Operating transfers (net)	<u>150,603</u>	<u>(150,603)</u>	<u>-</u>
Total general revenues and transfers	<u>28,594,936</u>	<u>(155,683)</u>	<u>28,439,253</u>
Change in net position	<u>(412,036)</u>	<u>(205,893)</u>	<u>(617,929)</u>
Net position, July 1, 2017, as previously reported	14,419,745	356,987	14,776,732
Restatement for adoption of GASB 75	<u>(3,350,371)</u>	<u>(623,029)</u>	<u>(3,973,400)</u>
Net position (deficit), July 1, 2017, as restated	<u>11,069,374</u>	<u>(266,042)</u>	<u>10,803,332</u>
Net position (deficit), June 30, 2018	<u>\$ 10,657,338</u>	<u>\$ (471,935)</u>	<u>\$ 10,185,403</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES				
Cash and cash equivalents	\$ 1,969,679	\$ -	\$ 142,651	\$ 2,112,330
Cash with fiscal agent	-	-	777,061	777,061
Accounts receivable:				
Accounts receivable	42,738	-	-	42,738
Taxes – current	382,803	-	-	382,803
Intergovernmental – state	-	147,641	-	147,641
Intergovernmental – federal	-	478,270	-	478,270
Interfund receivable	379,877	-	-	379,877
TOTAL ASSETS AND RESOURCES	<u>\$ 2,775,097</u>	<u>\$ 625,911</u>	<u>\$ 919,712</u>	<u>\$ 4,320,720</u>
LIABILITIES				
Accounts payable	\$ 19,960	\$ 2,045	\$ -	\$ 22,005
Accrued salaries and benefits payable	418,285	-	-	418,285
Interfund payable	-	379,877	-	379,877
Deferred revenue	-	243,989	-	243,989
TOTAL LIABILITIES	<u>438,245</u>	<u>625,911</u>	<u>-</u>	<u>1,064,156</u>
FUND BALANCES				
Restricted				
Sick leave payable	99,000	-	-	99,000
Debt service	-	-	777,061	777,061
District wide activity funds	-	-	142,651	142,651
Committed				
Other lease obligations	146,850	-	-	146,850
Unassigned	2,091,002	-	-	2,091,002
TOTAL FUND BALANCES	<u>2,336,852</u>	<u>-</u>	<u>919,712</u>	<u>3,256,564</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,775,097</u>	<u>\$ 625,911</u>	<u>\$ 919,712</u>	<u>\$ 4,320,720</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2018

Total fund balances – governmental funds	\$ 3,256,564
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$89,925,414, and the accumulated depreciation is \$38,710,999.	51,214,415
Bond discounts, net of amortization, are not current financial resources and therefore are reported as deferred outflows of resources in governmental funds.	82,103
Bond premiums, net of amortization, are not current financial resources (uses) and therefore are reported as deferred inflows of resources in governmental funds.	(16,922)
CERS contributions subsequent to the measurement date (\$1,010,060) net of the net difference between projected and actual earnings on CERS pension and OPEB plan investments, changes in assumptions, etc. (\$2,468,442) are reported as deferred outflows (inflows) of resources in governmental funds.	3,478,502
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(27,240,117)
Lease obligations are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(1,550,073)
Accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(1,336,148)
Insurance claims payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(522,928)
Net CERS pension and OPEB liability is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(16,708,058)</u>
Total Net Position - Governmental Activities	<u>\$ 10,657,338</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	General Fund	Special Revenue
REVENUES		
From local sources:		
Taxes		
Property	\$ 2,598,682	\$ -
Motor vehicle	797,618	-
Utilities	1,210,335	-
Earnings on investments	57,453	1,131
Other local revenues	333,980	629,189
Intergovernmental – state	32,959,254	2,155,519
Intergovernmental – indirect federal	161,843	4,610,451
Intergovernmental – direct federal	-	86,369
TOTAL REVENUES	<u>38,119,165</u>	<u>7,482,659</u>
EXPENDITURES		
Instruction	23,936,365	6,330,629
Support services:		
Student	1,418,115	84,070
Instructional staff	1,076,920	608,498
District administration	1,708,677	6,975
School administration	1,585,336	42,283
Business	874,661	-
Plant operations and maintenance	3,565,774	804
Student transportation	3,145,940	1,110
Debt service	224,354	-
Payment of bonds	-	-
Payment of interest	-	-
Community services activities	36,247	486,309
TOTAL EXPENDITURES	<u>37,572,389</u>	<u>7,560,678</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>546,776</u>	<u>(78,019)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	211,448	78,019
Operating transfers out	(78,019)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>133,429</u>	<u>78,019</u>
NET CHANGES IN FUND BALANCES	680,205	-
FUND BALANCES, JULY 1, 2017	<u>1,656,647</u>	<u>-</u>
FUND BALANCES, JUNE 30, 2018	<u>\$ 2,336,852</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 425,136	\$ 3,023,818
-	797,618
-	1,210,335
48,111	106,695
180,117	1,143,286
2,027,888	37,142,661
-	4,772,294
400,168	486,537
<u>3,081,420</u>	<u>48,683,244</u>
186,111	30,453,105
-	1,502,185
-	1,685,418
-	1,715,652
-	1,627,619
-	874,661
-	3,566,578
10,667	3,157,717
-	224,354
2,205,597	2,205,597
1,086,750	1,086,750
-	522,556
<u>3,489,125</u>	<u>48,622,192</u>
<u>(407,705)</u>	<u>61,052</u>
1,765,162	2,054,629
<u>(1,826,007)</u>	<u>(1,904,026)</u>
<u>(60,845)</u>	<u>150,603</u>
(468,550)	211,655
<u>1,388,262</u>	<u>3,044,909</u>
<u>\$ 919,712</u>	<u>\$ 3,256,564</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Total Net Change In Fund Balances per fund financial statements	\$ 211,655
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays to purchase or build capital assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which the current year depreciation expense exceeded current year capital outlays.

Depreciation	\$ (2,077,903)	
Capital outlays	<u>602,409</u>	(1,475,494)

The difference between the proceeds related to the sale of capital assets, and the net book value of those assets disposed of during the year, is shown as a gain (loss) on disposal of capital assets on the statement of activities, while this is not reported in the governmental funds, as the costs of these capital assets were reported as an expenditure at the time of acquisition.	(4,358)
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Capital lease proceeds are reported as other financing sources in the governmental funds but are shown as an increase in noncurrent liabilities in the statement of net position.	(547,056)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.	2,205,597
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Lease obligations are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the statement of activities.	194,984
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Bond discounts and premiums are reported in the governmental funds as other financing sources (uses). However, for governmental activities, those items are shown in the statement of net position and allocated over the term of the bond in the statement of activities.	(5,963)
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Compensated absences (sick leave) are measured by the amounts earned during the year in the statement of activities. In the governmental funds, expenditures for these amounts are measured by the amount of financial resources used (the amount paid). The difference in expenses reported in the statement of activities is a result of the change in accumulated sick leave.	194,748
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Payments on the insurance claims payable is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.	67,421
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The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONTINUED)
Year Ended June 30, 2018

CERS payments are recognized as expenditures of current financial resources
in the governmental fund financial statements, but are shown as deferred
outflows (inflows) on the statement of net position.

(1,253,570)

Change In Net Position of Governmental Activities

\$ (412,036)

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2018

	<u>Food Service</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,511,614
Materials and supplies inventory	91,518
Accounts receivable:	
Intergovernmental – federal	<u>25,749</u>
Total current assets	<u>1,628,881</u>
NONCURRENT ASSETS	
Capital assets, net	<u>360,258</u>
DEFERRED OUTFLOWS OF RESOURCES	
CERS – pension	754,576
CERS – OPEB	<u>218,847</u>
Total deferred outflows of resources	<u>973,423</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>2,962,562</u>
 <u>LIABILITIES AND NET POSITION</u>	
CURRENT LIABILITIES	
Accounts payable	<u>900</u>
NONCURRENT LIABILITIES	
Net pension liability – CERS	2,312,697
Net OPEB liability – CERS	<u>794,305</u>
Total noncurrent liabilities	<u>3,107,002</u>
DEFERRED INFLOWS OF RESOURCES	
CERS – pension	285,007
CERS – OPEB	<u>41,588</u>
Total deferred inflows of resources	<u>326,595</u>
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	 <u>3,434,497</u>
NET POSITION	
Net investment in capital assets	360,258
Restricted (deficit)	<u>(832,193)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (471,935)</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2018

	Food Service
OPERATING REVENUES	
Sales	\$ 82,568
TOTAL OPERATING REVENUES	<u>82,568</u>
OPERATING EXPENSES	
Salaries	1,101,513
Employee benefits	568,110
Purchased services	664,612
Supplies and materials	1,798,585
Depreciation	62,089
TOTAL OPERATING EXPENSES	<u>4,194,909</u>
OPERATING INCOME (LOSS)	<u>(4,112,341)</u>
NON-OPERATING REVENUES (EXPENSES)	
Operating grants – federal	3,193,307
Operating grants – state	661,649
Donated commodities	207,175
Earnings on investments	22,236
Gain (loss) on disposal of assets	(27,316)
Operating transfers out	<u>(150,603)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>3,906,448</u>
CHANGE IN NET POSITION	<u>(205,893)</u>
NET POSITION, July 1, 2017, as previously reported	356,987
Restatement for adoption of GASB 75	<u>(623,029)</u>
NET POSITION (DEFICIT), July 1, 2017, as restated	<u>(266,042)</u>
NET POSITION (DEFICIT), June 30, 2018	<u>\$ (471,935)</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2018

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sales	\$ 83,092
Cash payments for salaries and employee benefits	(1,401,482)
Cash payments for purchased services	(664,612)
Cash payments for supplies and materials	<u>(1,823,347)</u>
Net cash provided (used) by operating activities	<u>(3,806,349)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	<u>(42,250)</u>
Net cash provided (used) by capital and related financing activities	<u>(42,250)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of interest	22,236
Receipt of grants	3,854,956
Receipt of donated commodities	207,175
Operating transfers out	<u>(150,603)</u>
Net cash provided (used) by investing activities	<u>3,933,764</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	85,165
CASH AND CASH EQUIVALENTS, JULY 1, 2017	<u>1,426,449</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2018	<u>\$ 1,511,614</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (4,112,341)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Depreciation	62,089
Changes in assets and liabilities:	
Accounts receivable	524
Inventory	(22,999)
Deferred outflows of resources	(495,440)
Accounts payable	(1,763)
Deferred inflows of resources	261,010
Net pension liability – CERS	331,295
Net OPEB liability – CERS	<u>171,276</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (3,806,349)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Donated commodities received from federal government	<u>\$ 207,175</u>
On-behalf payments from state government	<u>\$ 635,873</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents

Accounts receivable

TOTAL ASSETS

School
Activity
Funds

\$ 241,280

2,774

244,054

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable

Due to students

TOTAL LIABILITIES

2,549

241,505

244,054

NET POSITION

\$ -

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect the significant elements of the Whitley County School District are summarized as follows:

REPORTING ENTITY

The Whitley County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Whitley County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) pronouncement since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Whitley County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statement of the following organization is included in the accompanying financial statements:

WHITLEY COUNTY SCHOOL DISTRICT FINANCE CORPORATION

The Whitley County Board of Education resolved to authorize the establishment of the Whitley County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Board Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board members of the Whitley County Board of Education also comprise the corporation's Board of Directors.

BASIS OF PRESENTATION

Government-Wide Financial Statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between governmental and business-type activities of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service,

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements: Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net fund balances.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund's operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

(D) Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency Fund)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. This fund is accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenues, Exchange and Nonexchange Transactions: Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the fiscal year when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue: The District reports deferred revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are "intended to finance" future periods are reported as deferred revenue. In subsequent periods, the liability for deferred revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenditures/Expenses: On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on a flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments. The District only invests in certificates of deposit.

It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that have a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The Kentucky Revised Statutes authorize the District to invest in United States and State of Kentucky bonds, notes and other obligations; bank certificates of deposit; bankers' acceptances; and commercial paper notes rated prime that are issued by United States corporations. It is the District's policy to invest in all of the above types of investments. Under existing Kentucky statutes, all investment earnings accrue to the general and food service funds except certain trust funds and those funds individually authorized by Board resolution.

PREPAID ASSETS/EXPENDITURES

Payments made that will benefit periods beyond June 30, 2018 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

INVENTORY

On government-wide financial statements, inventories are presented at cost or using the first in, first out (FIFO) method and are expensed when used.

On fund financial statements, inventories are valued at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined using the FIFO method and is determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of purchase. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources. Inventories of proprietary funds consist of donated and purchased food and supplies.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District adheres to the property inventory procedures developed by the Kentucky Department of Education. Fixed assets (real property) with an acquisition value of \$5,000 or more that have useful lives of more than one year are capitalized. All computer workstations and laptops, regardless of value, are capitalized. Additional items may also be designated by the District as capital assets. Fixed assets no longer needed or useable are disposed of in compliance with Board policy and applicable legal requirements.

All reported capital assets, with the exception of land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental fund capital assets and proprietary fund capital assets:

<u>Description</u>	<u>Useful Life</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
General equipment	7 years
Infrastructure	20 years

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables.

ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District, an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account restricted for sick leave payable in the general fund. The non-current portion of the liability is not reported in the governmental fund financial statements.

ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date, regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

KENTUCKY RETIREMENT SYSTEMS

Employer contributions to KRS are calculated based upon creditable compensation for active members reported by employers. Employer contributions are accrued when earned and the employer has made a formal commitment to provide the contributions.

POSTEMPLOYMENT BENEFITS OTHER THAN OPEBS (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kentucky Retirement Systems (KRS) and additions to/deductions from KRS's fiduciary net position have been determined on the same basis as they are reported by KRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

RESTRICTED RESOURCES

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

NET POSITION

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Inventories* – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes imposed by a majority vote of the Whitley County School District's Board members. Any changes or removal of specific purposes also requires majority action by the Board.

Assigned Fund Balance – Portion of fund balance that has been budgeted by the District.

- *Purchase Obligations* – Portion of fund balance that is appropriated in the subsequent year's budget that is not already classified in restricted or committed.
- *Site Base* – Portion of fund balance that has been budgeted for future site base expenditures.

Unassigned Fund Balance – Portion of fund balance that has not been restricted, committed or assigned for a specific purpose.

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

BUDGETARY PROCESS

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are that revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not after fiscal year end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All unencumbered budget appropriations lapse at year-end.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* by State and Local Government Employees, which became effective for fiscal years beginning after June 15, 2017. It requires that certain disclosures regarding postemployment benefits other than OPEBs for employees of school districts be included in their financial statements. This statement was adopted during the fiscal year ended June 30, 2018 and required a restatement to net position of \$(3,973,400).

NOTE 2 – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation coverage.

Under the depository contract, the District, at its own discretion, invests funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2018, the carrying amount of the District's deposits (cash and cash equivalents) was \$3,623,944 and the bank balance was \$5,934,376. The entire bank balance throughout the year was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

The deposits were deemed collateralized under Kentucky Law during the year and the District maintains copies of all safekeeping receipts. The following is disclosed:

- a. Name of bank utilized during fiscal year: Community Trust Bank.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$8,219,559.
- c. Largest cash, savings and time deposit combined account balance amounted to \$8,000,525 and occurred during the month of June 2018.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

- | | |
|------------|---|
| Category 1 | Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name. |
| Category 2 | Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. |
| Category 3 | Deposits which are not collateralized or insured. |

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1 and 2.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – PROPERTY TAXES

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the certified roll, upon which the levy for the 2018 fiscal year was based, was \$709,367,098. The tax rates assessed for the year ended June 30, 2018 to finance general fund operations were \$.428 per \$100 valuation for real estate, \$.428 per \$100 valuation for tangible property and \$.552 for motor vehicles. The District committed \$.059 of the levy to the FSPK Fund. Taxes are due on October 1, and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2018 were ninety-three percent of the tax levy. Delinquent taxes are allocated to the general fund. The District records taxes receivable only for the amounts collected during the next sixty days from its fiscal year end.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water and natural, artificial and mixed gas.

At June 30, 2018, the components of taxes receivable were as follows:

PSC property tax	\$ 198,567
Motor vehicle tax	58,257
Delinquent property tax	23,084
Utilities tax	102,895
	<u>\$ 382,803</u>

NOTE 4 – RECEIVABLES

Receivables at June 30, 2018 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

NOTE 5 – DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES

Changes in the District's deferred outflows (inflows) of resources during the fiscal year 2018 were as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Discount on bonds, net	\$ 90,038	\$ -	\$ (7,935)	\$ 82,103
Premium on bonds, net	\$ (18,894)	\$ 1,972	\$ -	\$ (16,922)
			<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>County Employee Retirement System (CERS) - Pension</u>				
Balance, July 1, 2017			\$ 3,106,143	\$ (426,152)
Contributions subsequent to the measurement date:				
June 30, 2017			(1,157,563)	-
June 30, 2018			904,385	(374,401)
Liability experience			18,294	(985,698)
Investment experience			(98,422)	-

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 – DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption changes	2,039,625	-
Difference between expected and actual results	-	(31,398)
Balance, June 30, 2018	<u>\$ 4,812,462</u>	<u>\$ (1,817,649)</u>
<u>County Employee Retirement System (CERS) – OPEB</u>		
Balance, July 1, 2017	\$ -	\$ -
Contributions subsequent to the measurement date:		
June 30, 2018	293,476	-
Liability experience	-	(14,070)
Investment experience	-	(239,403)
Assumption changes	1,102,269	-
Difference between expected and actual results	-	(11,755)
Balance, June 30, 2018	<u>\$ 1,395,745</u>	<u>\$ (265,228)</u>

NOTE 6 – CAPITAL ASSETS

A summary of capital assets activity during the fiscal year follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
GOVERNMENTAL ACTIVITIES				
Land	\$ 1,423,339	\$ -	\$ -	\$ 1,423,339
Land improvements	1,416,757	-	-	1,416,757
Buildings and improvements	70,150,187	-	(29,061)	70,121,126
Technology equipment	5,825,359	56,538	-	5,881,897
Vehicles	7,365,104	535,581	(300,579)	7,600,106
General equipment	2,863,439	10,290	-	2,873,729
Infrastructure	608,460	-	-	608,460
Totals at cost	<u>89,652,645</u>	<u>602,409</u>	<u>(329,640)</u>	<u>89,925,414</u>
Less accumulated depreciation:				
Land improvements	(1,415,134)	-	(1,527)	(1,416,661)
Buildings and improvements	(21,776,051)	24,703	(1,467,249)	(23,218,597)
Technology equipment	(5,399,073)	-	(176,542)	(5,575,615)
Vehicles	(5,996,981)	300,579	(275,896)	(5,972,298)
General equipment	(2,109,117)	-	(127,567)	(2,236,684)
Infrastructure	(262,022)	-	(29,122)	(291,144)
Total accumulated depreciation	<u>(36,958,378)</u>	<u>325,282</u>	<u>(2,077,903)</u>	<u>(38,710,999)</u>
Governmental activities capital assets, net	<u>\$ 52,694,267</u>	<u>\$ 927,691</u>	<u>\$ (2,407,543)</u>	<u>\$ 51,214,415</u>
BUSINESS-TYPE ACTIVITIES				
Food service equipment	\$ 1,559,626	\$ 42,250	\$ (478,279)	\$ 1,123,597
Technology equipment	56,504	-	(8,058)	48,446
Totals at cost	<u>1,616,130</u>	<u>42,250</u>	<u>(486,337)</u>	<u>1,172,043</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Less accumulated depreciation:				
Food service equipment	(1,174,224)	456,224	(58,277)	(776,277)
Technology equipment	(34,493)	2,797	(3,812)	(35,508)
Total accumulated depreciation	(1,208,717)	459,021	(62,089)	(811,785)
Business-type activities capital assets, net	\$ 407,413	\$ 501,271	\$ (548,426)	\$ 360,258

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,724,888
Support services:	
Student	2,435
Instructional staff	1,818
District administration	4,554
School administration	3,991
Business	6,665
Plant operations and maintenance	58,993
Student transportation	274,559
Total governmental activities	\$ 2,077,903

NOTE 7 – ACCUMULATED SICK LEAVE LIABILITY

Changes in the District's accumulated sick leave liability during the fiscal year 2018 were as follows:

	Balance July 1, 2017	Payments	Additions	Balance June 30, 2018	Amount Expected to be Paid Within One Year
Governmental activities					
Accumulated sick leave	\$ (1,530,896)	\$ 263,827	\$ (69,079)	\$ (1,336,148)	\$ (99,000)

NOTE 8 – NOTE PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS

In 2014, the District entered into negotiations for a loan with KISTA (Kentucky Interlocal School Transportation Association) to provide funds needed to pay in full the District's total assessment required by the reorganization plan for the KSBIT (Kentucky School Board Insurance Trust) liability. A loan agreement dated September 1, 2014 with KISTA was entered into and provided funds of \$712,009. Interest rates range from 2.00% to 3.25%. The District's first debt service payment was due August 15, 2015 and is payable from the general fund. This loan may be prepaid without penalty on any date on or after September 1, 2019, upon 30 days written notice to KISTA.

The minimum obligations of the District at June 30, 2018 for debt service (principal and interest) are as follows:

Year	Principal	Interest	Total
2018-19	\$ 68,835	\$ 14,067	\$ 82,902
2019-20	70,331	12,571	82,902

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – NOTE PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020-21	72,169	10,733	82,902
2021-22	74,367	8,535	82,902
2022-23	76,632	6,270	82,902
2023-24	79,017	3,885	82,902
2024-25	81,577	1,325	82,902
	<u>\$ 522,928</u>	<u>\$ 57,386</u>	<u>\$ 580,314</u>

The District, through the General Fund (including utility taxes, Facility Support Program of Kentucky Fund (FSPK) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Whitley County School District and the Whitley County School District Finance Corporation to construct school facilities. The District has an option to purchase the property at any time by retiring the bonds then outstanding.

The original amount of each issue, the issue date, and interest rates are summarized as follows:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
2007	\$ 3,265,000	4.05%
2009	3,655,000	1.00% to 3.00%
2010R	7,580,000	1.00% to 2.8%
QZAB 2010	1,850,000	5.25%
QSCB 2010	6,324,000	5.25%
2013	1,020,000	.55% to 3.10%
2014	8,570,000	1.80% to 4.00%
2015R	4,625,000	2.00% to 2.50%
2015R-Second Series	3,415,000	1.00% to 2.50%

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2018:

	<u>Debt Outstanding July 1, 2017</u>	<u>Additions of New Debt</u>	<u>Repayments</u>	<u>Debt Outstanding June 30, 2018</u>	<u>Amount Expected to be Paid Within One Year</u>
Governmental activities:					
General obligation bonds	<u>\$29,445,714</u>	<u>\$ -</u>	<u>\$ 2,205,597</u>	<u>\$ 27,240,117</u>	<u>\$ 1,712,829</u>
Capital leases	<u>\$ 1,198,001</u>	<u>\$ 547,056</u>	<u>\$ 194,984</u>	<u>\$ 1,550,073</u>	<u>\$ 240,223</u>

In 1988, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amounts remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2018 for debt service (principal and interest) are as follows:

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – NOTE PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

Year	Kentucky School Facility Construction Commission		Whitley County School District		Total
	Principal	Interest	Principal	Interest	
2018-19	\$ 470,566	\$ 93,980	\$ 1,149,434	\$ 523,793	\$ 2,237,773
2019-20	355,229	85,726	1,199,771	497,253	2,137,979
2020-21	362,221	78,731	1,227,779	465,230	2,133,961
2021-22	369,692	71,262	1,270,308	432,209	2,143,471
2022-23	378,096	62,857	896,904	393,309	1,731,166
2023-24	387,696	53,257	917,304	373,784	1,732,041
2024-25	397,540	43,413	947,460	353,513	1,741,926
2025-26	407,790	33,162	962,210	331,860	1,735,022
2026-27	66,135	22,647	1,033,865	303,225	1,425,872
2027-28	68,450	20,332	101,550	288,403	478,735
2028-29	70,845	17,937	109,155	285,198	483,135
2029-30	73,324	15,457	636,676	281,753	1,007,210
2030-31	75,891	12,891	1,564,109	259,789	1,912,680
2031-32	78,926	9,855	1,631,074	197,990	1,917,845
2032-33	82,083	6,698	1,697,917	133,602	1,920,300
2033-34	85,368	3,415	1,664,632	66,585	1,820,000
	<u>\$ 3,729,852</u>	<u>\$ 631,620</u>	<u>\$ 17,010,148</u>	<u>\$ 5,187,496</u>	<u>\$ 26,559,116</u>

The District issued \$1,850,000 of Qualified Zone Academy Bonds, Series 2010. The District also issued \$6,324,000 of Qualified School Construction Bonds, Series 2010. These two bond issues were issued as "specified tax credit bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 as codified in various section of the Internal Revenue Code of 1986, as amended. The District has elected to receive a cash subsidy payment from the federal government equal to the lesser of (i) the amount of 100% of the interest payable by the District on each interest payment date on such bonds, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Code with respect to such bonds had the Bonds been issued as "tax credit bonds" (the "Applicable Credit Rate"). The available cash subsidy payment for the Bonds will be paid directly to the District and will not constitute security for the payment of principal of or any interest on the Bonds.

The following represents the future minimum obligations of the District related to these two issues and include amounts to be paid by the SFCC (School Facility Construction Commission) and the federal government, at June 30, 2018 for debt service (principal and interest):

Year	Whitley County School District	Kentucky School Facility Construction Commission	(ARRA) Direct Pay Interest	Total
	Sinking Fund	Sinking Fund		
2018-19	\$ 69,792	\$ 23,037	\$ 429,135	\$ 521,964
2019-20	44,591	23,037	429,135	496,763
2020-21	46,800	23,037	429,135	498,972
2021-22	40,311	23,037	429,135	492,483
2022-23	460,145	23,037	429,135	912,317
2023-24	460,198	23,037	429,135	912,370
2024-25	457,247	23,037	429,135	909,419
2025-26	461,241	23,037	429,135	913,413

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – NOTE PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

<u>Year</u>	Whitley County School District <u>Sinking Fund</u>	Kentucky School Facility Construction Commission <u>Sinking Fund</u>	(ARRA) Direct Pay <u>Interest</u>	<u>Total</u>
2026-27	457,877	23,037	429,135	910,049
2027-28	1,402,418	23,037	429,135	1,854,590
2028-29	1,422,823	23,037	429,135	1,874,995
2029-30	900,230	23,037	214,568	1,137,835
	<u>\$ 6,223,673</u>	<u>\$ 276,444</u>	<u>\$ 4,935,053</u>	<u>\$11,435,170</u>

The full principal amount of these two issues of \$8,174,000 will be funded through the above sinking fund payments. They are due November 1, 2029 and are included in the noncurrent portion of bond obligations.

In 2009, the District entered into negotiations for the purchase of four school buses. Bonds were issued in the amount of \$374,539 through the KISTA Bond Pool Sizing Second Series of 2009. Interest rates range from 2.0% to 3.9%.

The minimum obligations of the District at June 30, 2018 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	<u>\$ 35,644</u>	<u>\$ 1,390</u>	<u>\$ 37,034</u>

During the current fiscal year, principal payments in the amount of \$34,401 were paid.

In 2011, the District entered into negotiations for the purchase of four school buses. Bonds were issued in the amount of \$399,347 through the KISTA Bond Pool Sizing First Series of 2011. Interest rates range from 1.0% to 4.0%.

The minimum obligations of the District at June 30, 2018 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	\$ 42,371	\$ 4,324	\$ 46,695
2019-20	36,025	2,841	38,866
2020-21	37,253	1,490	38,743
	<u>\$115,649</u>	<u>\$ 8,655</u>	<u>\$124,304</u>

During the current fiscal year, principal payments in the amount of \$41,142 were paid.

In 2016, the District entered into negotiations for the purchase of ten school buses. Bonds were issued in the amount of \$1,089,275 through the KISTA Bond Pool Sizing First Series of 2016. Interest rates range from 2.0% to 2.625%.

The minimum obligations of the District at June 30, 2018 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	\$ 103,471	\$ 18,719	\$ 122,190
2019-20	105,467	16,649	122,116
2020-21	107,796	14,540	122,336
2021-22	109,793	12,384	122,177
2022-23	112,122	10,188	122,310
2023-24	114,783	7,666	122,449

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – NOTE PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024-25	97,815	5,083	102,898
2025-26	100,477	2,637	103,114
	<u>\$ 851,724</u>	<u>\$ 87,866</u>	<u>\$ 939,590</u>

During the current fiscal year, principal payments in the amount of \$119,441 were paid.

In 2018, the District entered into negotiations for the purchase of five school buses. Bonds were issued in the amount of \$547,056 through the KISTA Bond Pool Sizing First Series of 2018. Interest rates range from 2.0% to 3.0%.

The minimum obligations of the District at June 30, 2018 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	\$ 58,737	\$ 14,389	\$ 73,126
2019-20	58,919	14,060	72,979
2020-21	50,893	12,882	63,775
2021-22	52,353	11,355	63,708
2022-23	53,812	9,785	63,597
2023-24	55,636	8,170	63,806
2024-25	57,095	6,501	63,596
2025-26	58,919	4,788	63,707
2026-27	49,616	3,021	52,637
2027-28	51,076	1,532	52,608
	<u>\$ 547,056</u>	<u>\$ 86,483</u>	<u>\$ 633,539</u>

During the current fiscal year, no principal payments were required.

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District obtained coverage through commercial insurance carriers. The District pays an annual premium for coverage.

The District was assessed a total of \$712,009 due to the Kentucky School Board Insurance Trust shortfall in fiscal year 2015. This District elected to finance this assessment for ten annual payments of \$82,903, which includes principal and interest at 2%. The current year payment was \$67,421 and the remaining balance is \$522,928 at June 30, 2018. There were no changes in the assessment during the year ending June 30, 2018.

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated, which includes workers' compensation insurance.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS

Plan Descriptions

The Whitley County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Employees Retirement Systems (KERS) administers the CERS. The TRS and CERS issue publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at www.ktrs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

TRS

Benefits Provided

For Members Before July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service.

Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salary for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of credited service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of credited service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation.

University employees receive monthly benefits equal to two percent (2%) of their final average salary for each year of credited service.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members On or After July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS (CONTINUED)

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; and (e) three percent (3%) of final average salary for years of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; and (d) two percent (2%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

Other Benefits:

The System provides post-employment medical benefits to retirees. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. A life insurance benefit, payable upon the death of a member, is \$20,000 for active contributing members and \$5,000 for retired or disabled members. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2018, was 16.105 percent of salaries for federally funded employees and 3.00 percent of salaries for non-federally funded employees. Contributions to the pension plan from the District were \$1,001,667.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. The related State share of the net pension liability was \$156,076,827.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS (CONTINUED)

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2017, the District's proportion was zero percent.

For the year ended June 30, 2018, the District recognized pension expense of \$5,982,175 and revenue of \$5,982,175 for support provided by the State. At June 30, 2018, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2017 was based on an actuarial valuation date of June 30, 2016. The total pension liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2016 but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of GRS' replication. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions, which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017.

Inflation	2.30%
Salary Increases	3.05%, average
Investment Rate of Return	5.25% for KERS non-hazardous

The mortality table used for active members in RP-2000 Combined Mortality Table projected with Scale BB to 2013 (Multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2017:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	28 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.0%, average
Investment Rate of Return	6.75% for KERS non-hazardous

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS (CONTINUED)

Discount Rate

The projection of cash flows used to determine the discount rate of 5.25% for the KERS non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major assets class are summarized in the CAFR.

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic and International Equities	63.5%
Fixed Income	15.8%
Additional Categories	7.2%
Real Estate	5.7%
Alternative Investments	6.4%
Cash	1.4%
Total	<u>100.0%</u>

Net Pension Liability

The following table presents the net pension liability of TRS, calculated using the discount rate of 4.49%, as well as what TRS's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.49%) or 1-percentage-point higher (5.49%) than the current rate:

	1% Decrease (3.49%)	Current Discount Rate (4.49%)	1% Increase (5.49%)
Systems' Net Pension Liability	<u>\$ 193,470,306</u>	<u>\$ 156,076,827</u>	<u>\$ 125,386,785</u>

June 30, 2016 is the actuarial valuation date upon which the TPL is based. The TPL as of June 30, 2017 was determined using a discount rate of 4.49%, which was based on a municipal bond index rate as of that date equal to 3.56%. An expected TPL is determined as of June 30, 2017 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the assumed interest rate for the year. The final TPL as of June 30, 2017 reflects that the assumed municipal bond index rate increase from 3.01% to 3.56%, resulting in a change in the SEIR from 4.20% to 4.49%. The impact of this change in the discount rate is a change in assumptions that is added to the expected TPL to determine the final TPL as of June 30, 2017.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report available at <http://www.ktrs.ky.gov/>.

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS (CONTINUED)

(COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Contributions

For the fiscal year ended June 30, 2018, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Plan members who began participating after September 1, 2008 were required to contribute 6% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first date of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2018, was 19.18 percent of annual creditable compensation. Contributions to the pension plan from the District were \$904,385.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability of \$14,749,340 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.251983 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$1,559,908. At June 30, 2018, the District reported deferred inflows of resources of \$4,812,462 and deferred outflows of resources of \$1,817,649 related to pensions. The amount reported as deferred inflows for District contributions subsequent to the measurement date of \$904,385 will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

<u>Year</u>	<u>Allocation</u>
2018	\$ 861,578
2019	977,990
2020	440,249
2021	(189,389)
	<u>\$ 2,090,428</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS (CONTINUED)

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2017 was based on an actuarial valuation date of June 30, 2016. The total pension liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2016 but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of GRS' replication. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017.

Inflation	2.30%
Salary Increases	3.05%, average
Investment Rate of Return	6.25% for CERS non-hazardous

The mortality table used for active members in RP-2000 Combined Mortality Table projected with Scale BB to 2013 (Multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for the CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major assets class are summarized in the CAFR.

<u>Asset Class</u>	<u>Target Allocation</u>
US Equity	17.5%
Non US Equity	17.5%
Global Fixed Income	4.0%
Credit Fixed Income	24.0%
Real Estate	5.0%
Absolute Return	10.0%
Real Return	10.0%
Private Equity ST <5 Yrs	10.0%
Private Equity LT 5+Yrs	
Cash	2.0%
	<u>100.0%</u>

Actuarial Methods and Assumptions Used to Determine the Actuarial Determined Contribution

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2017:

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – PENSION PLANS (CONTINUED)

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	28 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.0%, average
Investment Rate of Return	7.50% for CERS non-hazardous

Deferred Inflows and Outflows of Resources

The deferred inflows and outflows of resources, and pension expense included in the Schedule of Pension Amounts by Employer include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of Pension Amounts by Employer does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2017, is based on the June 30, 2016, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	<u>\$ 18,602,105</u>	<u>\$ 14,749,340</u>	<u>\$ 11,526,530</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report, which is publically available at <https://kyret.ky.gov>.

DEFERRED COMPENSATION

The District offers its employees deferred compensation plans created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement who do not perform the investing function for these plans, to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN

General Information

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) – a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

Medical Insurance Plan

Plan description – In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits provided – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District reported a liability of \$5,065,720 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .251983 percent.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

District's proportionate share of the collective net OPEB liability	\$ 10,996,000
State's proportionate share of the collective net OPEB liability associated with the District	<u>8,982,000</u>
Total	<u>\$ 19,978,000</u>

For the year ended June 30, 2018, the District recognized OPEB expense of \$5,213,231 and revenue of \$5,251,428 for support provided by the State.

Of the total amount reported as deferred outflows of resources related to OPEB, \$293,476 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year</u>	
2018	\$ 144,021
2019	144,021
2020	144,021
2021	144,021
2022	203,872
Thereafter	<u>57,085</u>
	<u>\$ 837,041</u>

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumption (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	60.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	4.5%	4.0%
Private Equity	5.5%	6.6%
High Yield	10.0%	4.3%
Other Additional Categories*	10.0%	3.3%
Cash (LIBOR)	1.0%	0.5%
Total	<u>100.0%</u>	

**Modeled as 50% High Yield and 50% Bank Loans*

Discount rate – The discount rate used to measure the total OPEB liability was 5.84%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.84%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	<u>1% Decrease (4.84%)</u>	<u>Current Discount Rate (5.84%)</u>	<u>1% Increase (6.84%)</u>
Systems' net OPEB liability	<u>\$ 6,445,848</u>	<u>\$ 5,065,720</u>	<u>\$ 3,917,237</u>

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Systems' net OPEB liability	<u>\$ 3,885,668</u>	<u>\$ 3,924,917</u>	<u>\$ 6,599,719</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Life Insurance Plan

Plan description – TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the District	120,000
Total	<u>\$ 120,000</u>

For the year ended June 30, 2018, the District recognized OPEB expense of \$8,675 and revenue of \$8,675 for support provided by the State.

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.56%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projections scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class*</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Large Cap Equity	38.4%	4.3%
U.S Small Cap Equity	2.6%	4.8%
Developed Int'l Equity	15.8%	5.2%
Emerging Markets Equity	4.2%	5.4%
Fixed Income – Inv Grade	16.0%	1.2%
Real Estate	6.0%	4.0%
Private Equity	7.0%	6.6%
High Yield	2.0%	4.3%
Other Additional Categories**	7.0%	3.3%
Cash (LIBOR)	1.0%	0.5%
Total	<u>100.0%</u>	

*As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return.

**Modeled as 50% High Yield and 50% Bank Loans.

Discount rate – The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Systems' net OPEB liability	\$ <u>152,690</u>	\$ <u>120,000</u>	\$ <u>92,800</u>

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 – CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District has a pending case styled Chatham v. Whitley County Board of Education, which was filed in Whitley Circuit Court. This litigation involves a fatal bus accident. The estate of the young man and his parents have filed a wrongful death suit against the School District and various individuals. That matter was and still is in the early stages of litigation with pending motions to dismiss all claims upon various types of immunity.

No provision was made in the accompanying financial statements for any contingent liabilities.

NOTE 13 – DEFICIT OPERATING/FUND BALANCES

The District did not have any deficit fund balances at June 30, 2018.

The following funds had operations that resulted in current year operating deficits in governmental funds, resulting in corresponding reductions in fund balance, as follows:

Debt Service Funds	\$ 452,844
District Wide Activity Funds	15,706

NOTE 14 – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	Food Service	General	Indirect costs	\$ 150,603
Operating	Building/FSPK	Debt Service	Debt service requirement	1,454,490
Operating	General	Special Revenue	Matching – KETS	78,019
Operating	Capital Outlay	Debt Service	Debt service requirement	310,672
Operating	Capital Outlay	General	KISTA bus leases	60,845

NOTE 15 – INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2018, the District had a negative cash balance of \$379,877 in the Special Revenue Fund due to grant/project monies not being received by year-end. Since the District maintains an internal investment pool for cash, the General Fund is essentially lending this amount to the overdrawn fund. An interfund receivable of \$379,877 has been recognized in the General Fund and an interfund payable in the Special Revenue Fund at June 30, 2018.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 16 – ON-BEHALF PAYMENTS

As amounts are paid by various State agencies on-behalf of the District, the amounts are recognized as revenues and expenditures by the District. On the statement of revenues, expenditures and changes in fund balance, the on-behalf payments are included with State revenue, and are included in the functional expense classifications. On the statement of activities, the on-behalf payments are included in the functional expense classifications, and are included with program operating grants and contributions for the respective functions. A summary of on-behalf payments during 2018 is as follows:

	<u>Amount</u>
Teacher's Retirement System (TRS)	\$ 5,982,175
Health insurance	5,242,753
Life insurance	8,675
Administrative fee	71,673
Health reimbursement account – HRA/Dental/Vision	177,275
Federal reimbursements of health benefits	(351,682)
Technology	75,083
School Facilities Construction Commission (SFCC) debt service	627,017
	<u>\$ 11,832,969</u>

NOTE 17 – FUND BALANCE DESIGNATIONS

The following governmental funds had restricted fund balances:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 99,000	Accumulated sick leave
District Wide Activity Funds	142,651	Student instruction
Debt Service	777,061	Debt service

NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2017, the District was required to adopt Government Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. It requires that certain disclosures regarding post-employment benefits other than OPEBs for employees of school districts be included in their financial statements.

GASB 75 required retrospective application. Since the District only presents one year of financial information, the beginning net OPEB liability was adjusted to reflect the retrospective application. The adjustment resulted in a \$3,973,400 reduction in beginning net position on the Statement of Activities.

NOTE 19 – SUBSEQUENT EVENTS

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through October 2, 2018, the date on which we issued our financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Years Ended June 30,

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:				
District and PSCA's proportion of the net pension liability	.251983%	.26149%	.267664%	.284461%
District and PSCA's proportionate share of the net pension liability	\$ 14,749,340	\$ 12,874,610	\$ 11,508,280	\$ 9,229,000
District and PSCA's covered-employee payroll	\$ 6,222,323	\$ 6,202,208	\$ 6,333,075	\$ 6,337,056
District and PSCA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	237.04%	207.58%	181.72%	145.64%
Plan fiduciary net position as a percentage of the total pension liability	53.32%	55.50%	59.97%	66.80%
TEACHER'S RETIREMENT SYSTEM:				
District's proportion of the net pension liability	0%	0%	0%	0%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	\$156,076,827	\$174,562,169	\$135,871,569	\$130,754,261
District's covered-employee payroll	\$ 21,070,304	\$ 20,510,275	\$ 20,795,404	\$ 20,100,143
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	13.32%	14.80%	18.83%	22.32%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF PENSION CONTRIBUTIONS
Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:				
Contractually required contribution	\$ 904,385	\$ 1,157,563	\$ 1,080,418	\$ 1,119,758
Contributions in relation to the contractually required contribution	<u>(904,385)</u>	<u>(1,157,563)</u>	<u>(1,080,418)</u>	<u>(1,119,758)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District and PSCA's covered-employee payroll	\$ 6,222,323	\$ 6,202,208	\$ 6,333,075	\$ 6,337,056
District's and PSCA's contributions as a percentage of its covered-employee payroll	19.18%	18.68%	17.06%	17.67%
TEACHER'S RETIREMENT SYSTEM:				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 21,070,304	\$ 20,510,275	\$ 20,795,404	\$ 20,100,143
District's contributions as a percentage of its covered-employee payroll	0%	0%	0%	0%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2018

(1) CHANGES OF ASSUMPTIONS

TRS/CERS

The assumption changes are noted below.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

TRS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 years, closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Projected Salary Increase	4%, average
Investment Rate of Return	6.75%

CERS

The actuarially determined contribution rates in the schedule of contributions are calculated on an annual basis on an experience study of July 1, 2008 – June 30, 2013. The amortization period of the unfunded liability has been reset as of June 30, 2015 to a closed 28-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	28 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	4.00%
Inflation	3.25%
Salary Increase	4.0%, average
Investment Rate of Return	7.5%

(3) CHANGES OF BENEFITS

There were no changes of benefit terms for TRS or CERS.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MEDICAL INSURANCE
PLAN
Year Ended June 30,

	Reporting Fiscal Year (Measurement Date) 2018 (2017)
COUNTY EMPLOYEES RETIREMENT SYSTEM:	
District and PSCA's proportion of the net OPEB liability	.251983%
District and PSCA's proportionate share of the net OPEB liability	\$ 5,065,720
District and PSCA's covered-employee payroll	\$ 6,222,323
District and PSCA's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	81.41%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%
TEACHER'S RETIREMENT SYSTEM:	
District's proportion of the collective net OPEB liability	.55132%
District's proportionate share of the collective net OPEB liability	\$ 10,996,000
State's proportionate share of the collective net OPEB liability associated with the District	<u>8,982,000</u>
Total	<u>\$ 19,978,000</u>
District's covered-employee payroll	\$ 21,070,304
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	52.19%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF DISTRICT CONTRIBUTIONS – MEDICAL INSURANCE PLAN
Year Ended June 30,

	<u>2018</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:	
Contractually required contribution	\$ 293,476
Contributions in relation to the contractually required contribution	<u>(293,476)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's and PSCA's covered-employee payroll	\$ 6,222,323
District's and PSCA's contributions as a percentage of its covered-employee payroll	4.72%
TEACHER'S RETIREMENT SYSTEM:	
Contractually required contribution	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 21,070,304
District's contributions as a percentage of its covered-employee payroll	0%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2018

Changes of benefit terms – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP “Shared Responsibility” contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% for FY 2023
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% for FY 2020
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Under age 65 claims	The current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – LIFE INSURANCE PLAN –
TEACHER'S RETIREMENT SYSTEM KENTUCKY
Year Ended June 30,

	Reporting Fiscal Year (Measurement Date) 2018 (2017)	
District's proportion of the collective net OPEB liability		0%
District's proportionate share of the collective net OPEB liability	\$	-
State's proportionate share of the collective net OPEB liability associated with the District		<u>120,000</u>
Total	\$	<u><u>120,000</u></u>
District's covered-employee payroll	\$	21,070,304
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll		0%
Plan fiduciary net position as a percentage of the total OPEB liability		79.99%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF DISTRICT CONTRIBUTIONS – LIFE INSURANCE PLAN – TEACHER'S RETIREMENT SYSTEM
KENTUCKY
Year Ended June 30, 2018

	<u>2018</u>	
Contractually required contribution	\$	-
Contributions in relation to the contractually required contribution		-
Contribution deficiency (excess)	\$	-
District's covered-employee payroll	\$	21,070,304
District's contributions as a percentage of its covered-employee payroll		0%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2018

Changes of benefit terms – None.

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Market Value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	4.00%
Salary increases, including wage inflation	4.00% - 8.10%
Discount rate	7.50%

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Favorable or (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
From local sources:				
Taxes				
Property	\$ 2,360,000	\$ 2,396,000	\$ 2,598,682	\$ 202,682
Motor vehicle	685,000	685,000	797,618	112,618
Utilities	1,163,000	1,163,000	1,210,335	47,335
Earnings on investments	12,000	12,000	57,453	45,453
Other local revenues	222,000	186,000	333,980	147,980
Intergovernmental – state	22,295,719	22,363,681	32,959,254	10,595,573
Intergovernmental – indirect federal	182,000	182,000	161,843	(20,157)
TOTAL REVENUES	<u>26,919,719</u>	<u>26,987,681</u>	<u>38,119,165</u>	<u>11,131,484</u>
EXPENDITURES				
Instruction	15,365,670	15,437,305	23,936,365	(8,499,060)
Support services:				
Student	1,459,910	1,459,910	1,418,115	41,795
Instructional staff	1,111,454	1,111,454	1,076,920	34,534
District administration	1,341,857	1,341,857	1,708,677	(366,820)
School administration	1,615,781	1,615,781	1,585,336	30,445
Business	712,429	712,429	874,661	(162,232)
Plant operations and maintenance	3,201,506	3,203,827	3,565,774	(361,947)
Student transportation	2,432,356	2,432,356	3,145,940	(713,584)
Food service operation	2,600	2,600	-	2,600
Community services activities	43,417	43,417	36,247	7,170
Debt service	224,354	224,354	224,354	-
Contingency	873,657	969,173	-	969,173
TOTAL EXPENDITURES	<u>28,384,991</u>	<u>28,554,463</u>	<u>37,572,389</u>	<u>(9,017,926)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,465,272)</u>	<u>(1,566,782)</u>	<u>546,776</u>	<u>2,113,558</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	232,099	232,099	211,448	(20,651)
Operating transfers out	(82,000)	(82,000)	(78,019)	3,981
Proceeds from sale of assets	2,000	2,000	-	(2,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>152,099</u>	<u>152,099</u>	<u>133,429</u>	<u>(18,670)</u>
NET CHANGES IN FUND BALANCE	<u>(1,313,173)</u>	<u>(1,414,683)</u>	<u>680,205</u>	<u>2,094,888</u>
FUND BALANCE, JULY 1, 2017	<u>1,313,173</u>	<u>1,414,683</u>	<u>1,656,647</u>	<u>241,964</u>
FUND BALANCE, JUNE 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,336,852</u>	<u>\$ 2,336,852</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SPECIAL REVENUE FUND
Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Favorable or (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
From local sources:				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Motor vehicle	-	-	-	-
Utilities	-	-	-	-
Earnings on investments	-	-	1,131	1,131
Other local revenues	600,018	605,518	629,189	23,671
Intergovernmental – state	2,292,914	2,211,264	2,155,519	(55,745)
Intergovernmental – indirect federal	3,895,046	4,859,701	4,610,451	(249,250)
Intergovernmental – direct federal	64,455	64,455	86,369	21,914
TOTAL REVENUES	<u>6,852,433</u>	<u>7,740,938</u>	<u>7,482,659</u>	<u>(258,279)</u>
EXPENDITURES				
Instruction	5,674,875	6,558,742	6,330,629	228,113
Support services:				
Student	72,116	72,116	84,070	(11,954)
Instructional staff	682,649	684,487	608,498	75,989
District administration	-	-	6,975	(6,975)
School administration	33,725	33,725	42,283	(8,558)
Plant operations and maintenance	-	-	804	(804)
Student transportation	-	-	1,110	(1,110)
Community services activities	471,068	473,868	486,309	(12,441)
TOTAL EXPENDITURES	<u>6,934,433</u>	<u>7,822,938</u>	<u>7,560,678</u>	<u>262,260</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(82,000)</u>	<u>(82,000)</u>	<u>(78,019)</u>	<u>3,981</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	82,000	82,000	78,019	(3,981)
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>82,000</u>	<u>82,000</u>	<u>78,019</u>	<u>(3,981)</u>
NET CHANGES IN FUND BALANCE	-	-	-	-
FUND BALANCE, JULY 1, 2017	-	-	-	-
FUND BALANCE, JUNE 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL
Year Ended June 30, 2018

The District's budgetary process accounts for transactions on the modified accrual basis of accounting, which is consistent with U.S. generally accepted accounting principles. In accordance with state law, the District prepares a budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. The District must adopt the working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board has the ability to amend the working budget. The working budget was amended during the year.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Seek Capital Outlay Fund	FSPK Fund	Debt Service Funds	District Wide Activity Funds	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 142,651	\$ 142,651
Cash with fiscal agent	-	-	777,061	-	777,061
TOTAL ASSETS AND RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 777,061</u>	<u>\$ 142,651</u>	<u>\$ 919,712</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted					
Debt service	-	-	777,061	-	777,061
District wide activity funds	-	-	-	142,651	142,651
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>777,061</u>	<u>142,651</u>	<u>919,712</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 777,061</u>	<u>\$ 142,651</u>	<u>\$ 919,712</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	Seek Capital Outlay Fund	FSPK Fund	Debt Service Funds
REVENUES			
From local sources:			
Taxes:			
Property	\$ -	\$ 425,136	\$ -
Earnings on investments	-	-	47,156
Other local revenues	-	-	-
Intergovernmental – state	371,517	1,029,354	627,017
Intergovernmental – direct federal	<u>-</u>	<u>-</u>	<u>400,168</u>
TOTAL REVENUES	<u>371,517</u>	<u>1,454,490</u>	<u>1,074,341</u>
EXPENDITURES			
Instruction	-	-	-
Student transportation	-	-	-
Payment of bonds	-	-	2,205,597
Payment of interest	<u>-</u>	<u>-</u>	<u>1,086,750</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>3,292,347</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPEDITURES	<u>371,517</u>	<u>1,454,490</u>	<u>(2,218,006)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	1,765,162
Operating transfers out	<u>(371,517)</u>	<u>(1,454,490)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(371,517)</u>	<u>(1,454,490)</u>	<u>1,765,162</u>
NET CHANGES IN FUND BALANCES	-	-	(452,844)
FUND BALANCES, JULY 1, 2017	<u>-</u>	<u>-</u>	<u>1,229,905</u>
FUND BALANCES, JUNE 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 777,061</u>

District Wide Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ 425,136
955	48,111
180,117	180,117
-	2,027,888
<u>-</u>	<u>400,168</u>
181,072	3,081,420
186,111	186,111
10,667	10,667
-	2,205,597
<u>-</u>	<u>1,086,750</u>
196,778	3,489,125
<u>(15,706)</u>	<u>(407,705)</u>
-	1,765,162
<u>-</u>	<u>(1,826,007)</u>
-	(60,845)
(15,706)	(468,550)
<u>158,357</u>	<u>1,388,262</u>
<u>\$ 142,651</u>	<u>\$ 919,712</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS
WHITLEY COUNTY HIGH SCHOOL
Year Ended June 30, 2018

ACCOUNTS:	Cash Balances July 1, 2017	Receipts	Disbursements	Interfund Transfers
General	\$ 3,652	\$ 3,668	\$ 3,415	\$ (1,996)
Pepsi	1,899	2,609	930	-
Academic Team	4	2,806	1,446	-
Art	506	400	385	59
Band	247	523	469	20
Beta Club	3,489	5,960	6,545	-
Cheerleaders	5,959	18,156	18,318	2,400
Choir	667	8,227	7,794	-
DECA	104	1,570	1,815	141
FBLA	123	60	60	-
FFA	458	14,646	12,641	(200)
FCCLA	1,003	2,853	4,397	1,000
Horticulture	4,936	7,072	7,216	-
Math Club	701	570	567	(701)
Seniors	205	9,371	6,835	(1,400)
Textbooks	814	391	100	-
Yearbook	11	5,549	-	-
Science Club	-	2,266	1,991	-
Football	9,095	37,704	34,433	(4,300)
Boys Basketball	532	6,907	5,261	-
Girls Basketball	2,043	11,057	12,412	(500)
Baseball	4,722	16,605	9,721	(1,000)
Softball	9,303	34,250	32,954	2,000
Track	1,148	-	971	900
Student Activity Fee	1,259	11,057	12,536	648
Pep	342	-	-	-
JROTC	7,349	7,604	10,416	700
JROTC Paver Project	342	-	-	-
Teacher's Pepsi	977	9,829	8,461	-
Tennis	102	16,891	16,465	900
Educators Rising	149	5,627	4,888	(829)
Special Events	7,482	10,955	18,226	5,200
Transportation	1,484	-	1,753	449
Boys Golf	10	-	-	900
Girls Golf	3,241	1,300	2,236	900
NHS	1,068	1,097	1,776	-
Volleyball	2,025	3,953	5,205	2,500
Colonel Players	13	9,406	4,131	-
Drama	5,225	794	5,582	-
Wrestling	475	11,083	12,354	1,000
Creative Colonels	227	-	227	-

Cash Balances June 30, 2018	Accounts Receivable June 30, 2018	Accounts Payable June 30, 2018	Fund Balances June 30, 2018
\$ 1,909	\$ 76	\$ 272	\$ 1,713
3,578	106	-	3,684
1,364	-	-	1,364
580	-	-	580
321	-	311	10
2,904	-	-	2,904
8,197	-	-	8,197
1,100	-	-	1,100
-	-	-	-
123	-	-	123
2,263	-	-	2,263
459	-	-	459
4,792	-	-	4,792
3	-	-	3
1,341	-	-	1,341
1,105	-	-	1,105
5,560	-	-	5,560
275	-	-	275
8,066	-	-	8,066
2,178	-	-	2,178
188	-	-	188
10,606	-	759	9,847
12,599	-	-	12,599
1,077	-	177	900
428	-	-	428
342	-	-	342
5,237	-	-	5,237
342	-	-	342
2,345	-	-	2,345
1,428	-	-	1,428
59	-	-	59
5,411	-	100	5,311
180	-	-	180
910	-	-	910
3,205	-	-	3,205
389	-	-	389
3,273	-	-	3,273
5,288	-	-	5,288
437	-	-	437
204	-	180	24
-	-	-	-

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS (CONTINUED)
WHITLEY COUNTY HIGH SCHOOL
Year Ended June 30, 2018

	Cash Balances <u>July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	Interfund <u>Transfers</u>
ACCOUNTS:				
Boys Soccer	899	4,249	4,421	900
Girls Soccer	4,719	6,418	7,461	900
Test Fees	147	1,456	160	-
Non-Revenue Sports	1,703	15,000	-	(13,120)
Scholarship	2,000	-	-	-
Ark Club	-	670	724	54
Boys Cross Country	689	2,525	2,284	900
Girls Cross Country	796	-	115	900
Dual Courses Fee	785	20,045	8,651	-
Community Service	-	1,129	537	-
Link Crew	290	26,768	26,554	(307)
Ky Junior Historical	10	620	868	510
Bowling	1,075	-	634	-
History	431	2,600	2,827	472
International Club	-	247	100	-
Totals	<u>\$ 96,935</u>	<u>\$ 364,543</u>	<u>\$ 330,268</u>	<u>\$ -</u>

Cash Balances June 30, 2018	Accounts Receivable June 30, 2018	Accounts Payable June 30, 2018	Fund Balances June 30, 2018
1,627	-	350	1,277
4,576	-	350	4,226
1,443	-	-	1,443
3,583	-	-	3,583
2,000	-	-	2,000
-	-	-	-
1,830	-	-	1,830
1,581	-	-	1,581
12,179	-	50	12,129
592	-	-	592
197	-	-	197
272	-	-	272
441	-	-	441
676	-	-	676
147	-	-	147
<u>\$ 131,210</u>	<u>\$ 182</u>	<u>\$ 2,549</u>	<u>\$ 128,843</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS
Year Ended June 30, 2018

	Cash Balances <u>July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>
WHITLEY COUNTY MIDDLE SCHOOL				
All funds	\$ <u>52,861</u>	\$ <u>137,265</u>	\$ <u>132,030</u>	\$ <u>-</u>
OAK GROVE ELEMENTARY SCHOOL				
All funds	\$ <u>9,193</u>	\$ <u>29,567</u>	\$ <u>36,148</u>	\$ <u>-</u>
WHITLEY COUNTY NORTH ELEMENTARY SCHOOL				
All funds	\$ <u>1,308</u>	\$ <u>12,646</u>	\$ <u>13,196</u>	\$ <u>-</u>
PLEASANT VIEW ELEMENTARY SCHOOL				
All funds	\$ <u>2,647</u>	\$ <u>12,876</u>	\$ <u>12,389</u>	\$ <u>-</u>
WHITLEY COUNTY CENTRAL PRIMARY SCHOOL				
All funds	\$ <u>12,087</u>	\$ <u>21,854</u>	\$ <u>24,301</u>	\$ <u>-</u>
BOSTON ELEMENTARY SCHOOL				
All funds	\$ <u>1,280</u>	\$ <u>15,917</u>	\$ <u>10,761</u>	\$ <u>-</u>
WHITLEY COUNTY INTERMEDIATE SCHOOL				
All funds	\$ <u>15,384</u>	\$ <u>40,768</u>	\$ <u>33,399</u>	\$ <u>-</u>
WHITLEY COUNTY EAST ELEMENTARY SCHOOL				
All funds	\$ <u>4,122</u>	\$ <u>18,152</u>	\$ <u>15,633</u>	\$ <u>-</u>

Cash Balances June 30, 2018	Accounts Receivable June 30, 2018	Accounts Payable June 30, 2018	Fund Balances June 30, 2018
\$ 58,096	\$ -	\$ -	\$ 58,096
\$ 2,612	\$ 1,462	\$ -	\$ 4,074
\$ 758	\$ 78	\$ -	\$ 836
\$ 3,134	\$ 168	\$ -	\$ 3,302
\$ 9,640	\$ 343	\$ -	\$ 9,983
\$ 6,436	\$ 115	\$ -	\$ 6,551
\$ 22,753	\$ 311	\$ -	\$ 23,064
\$ 6,641	\$ 115	\$ -	\$ 6,756

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Education:			
SPECIAL EDUCATION CLUSTER (IDEA)			
Special Education – Grants to States (IDEA, Part B)	84.027A	3810002	\$ 917,770
Special Education – Preschool Grants (IDEA, Preschool)	84.173A	3800002	36,417
Total Special Education Cluster (IDEA)			<u>954,187*</u>
ADULT EDUCATION – BASIC GRANTS TO STATES			
Kentucky Adult Education Development Funds	84.002	365	28,475
Adult Education – Basic Grants to States	84.002A	373	74,631
Total for Program			<u>103,106</u>
CAREER AND TECHNICAL EDUCATION			
Career and Technical Education – Basic Grants to States	84.048	3710006	2,464
Career and Technical Education – Basic Grants to States	84.048	3710002	67,959
Total for Program			<u>70,423</u>
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010A	3100002	2,226,308
Education for Homeless Children and Youth	84.196A	3990002	58,286
Twenty-First Century Community Learning Centers	84.287	3400002	668,387*
Rural Education	84.358B	3140002	36,283
Improving Teacher Quality State Grants	84.367A	3230002	272,523
Passed through Berea College:			
Gaining Early Awareness and Readiness for Undergraduate Programs (Gear Up)	84.334	P334A140030	<u>191,393*</u>
Total U.S. Department of Education			<u>\$ 4,580,896</u>
<u>National Endowment for the Humanities</u>			
Passed through Berea College:			
Extending Arts Education Outside the School	45.025	16-6100-2002	\$ <u>2,000</u>
Total National Endowment for the Humanities			<u>\$ 2,000</u>

* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Education:			
CHILD NUTRITION CLUSTER			
School Breakfast Program	10.553	7760005	\$ 897,059
National School Lunch Program	10.555	7750002	1,932,894
Summer Food Service Program for Children	10.559	7690024	3,709
Summer Food Service Program for Children	10.559	7740023	35,903
Total Child Nutrition Cluster			<u>2,869,565</u>
EMERGENCY FOOD ASSISTANCE CLUSTER			
Emergency Food Assistance Program – non-cash	10.555	201	207,175
Total Emergency Food Assistance Cluster			<u>207,175</u>
Child and Adult Care Food Program	10.558	7800016	10,609
Child and Adult Care Food Program	10.558	7790021	180,233
Paths to Promise P2P – Adult Education	10.596	458	24,954
Fresh Fruit and Vegetable Program	10.582	7720012	132,899
Total U.S. Department of Agriculture			<u>\$ 3,425,435</u>
<u>U.S. Department of Commerce</u>			
Passed through the Center for Rural Development:			
Congressionally Identified Awards and Projects - PRIDE	11.420	EEG-18-041	\$ 2,600
Total U.S. Department of Commerce			<u>\$ 2,600</u>
<u>U.S. Department of Defense</u>			
Junior Reserve Officers' Training Corps	12.000	Direct	\$ 62,639
Total U.S. Department of Defense			<u>\$ 62,639</u>
Total Expenditures of Federal Awards			<u>\$ 8,073,570</u>

* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Whitley County School District under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements Cost Principals, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Whitley County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Whitley County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

NOTE E – INDIRECT COST RATE

The Whitley County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified		
Internal control over financial reporting:			
Material weakness identified	Yes	✓	No
Significant deficiencies identified that are not considered to be material weaknesses	Yes	✓	None reported
Noncompliance material to financial statement notes	Yes	✓	No

Federal Awards

Internal control over major programs:			
Material weaknesses identified	Yes	✓	No
Significant deficiencies identified that are not considered to be material weaknesses	Yes	✓	None reported
Type of auditor's report issued on compliance for major programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	Yes	✓	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	IDEA Cluster
84.287	21 st Century Community Learning Centers
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)

Dollar threshold used to distinguish between Type A and Type B program

\$ 750,000

Auditee qualified as low risk

✓ Yes No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2018

There were no prior year audit findings.

Marr, Miller & Myers, PSC

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 2, 2018

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

We have audited, in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Whitley County School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 2, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Marr, Miller & Myers, PSC

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements. We did note some additional matters that were communicated to the District in a separate management letter.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marr, Miller & Myers, PSC

Certified Public Accountants

Marr, Miller & Myers, PSC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 2, 2018

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Whitley County School District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and the audit requirements prescribed by Kentucky State Committee for School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Marr, Miller & Myers, PSC

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Marr, Miller & Myers, PSC

Certified Public Accountants

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P.O. Box 663
Corbin, Kentucky 40702

October 2, 2018

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

In planning and performing our audit of the financial statements of the Whitley County School District for the year ended June 30, 2018, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of some items that go beyond internal control related matters that are being communicated for the benefit of management to improve operational and administrative efficiencies. Our comments and recommendations, as well as the action to be taken by the District, accompanies this letter. We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations. This letter does not affect our report dated October 2, 2018 on the financial statements of the Whitley County School District.

Marr, Miller & Myers, PSC

Certified Public Accountants

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT LETTER POINTS
June 30, 2018

1. SCHOOL ACTIVITY FUNDS

OAK GROVE ELEMENTARY SCHOOL

- In accordance with Redbook requirements, monies collected by a teacher or sponsor shall be given to the school treasurer on the day collected or, if the monies are collected after school business hours for evening and weekend events, on the next business day. Testing of current year receipts revealed three instances of monies not being turned in to the school treasurer or deposited in a timely manner. This is a repeat finding.
- The Multiple Receipt Forms (Form F-SA-6) were not adequately completed or timely prepared for all receipts. There was one instance identified in current year testing.

WHITLEY COUNTY INTERMEDIATE SCHOOL

- Purchase Order Forms (Form F-SA-8) were not adequately completed or timely prepared for all disbursements. These forms must be obtained and approved prior to purchases of goods and/or services. There were three instances identified in current year testing. This is a repeat finding.
- In accordance with Redbook requirements, monies collected by a teacher or sponsor shall be given to the school treasurer on the day collected or, if the monies are collected after school business hours for evening and weekend events, on the next business day. Testing of current year receipts revealed one instance of monies not being turned in to the school treasurer or deposited in a timely manner. This is a repeat finding.

WHITLEY COUNTY HIGH SCHOOL

- The Multiple Receipt Forms (Form F-SA-6) were not adequately completed or timely prepared for all receipts. Monies collected should be properly accounted for and deposited on the day collected. Prior to making deposits, all checks should be copied and attached as documentation for amounts received. There were nine instances identified in current year testing. This is a repeat finding.
- Fundraisers require the use of the Fundraiser Worksheet (Form F-SA-2B) within one week of the completion of the fundraising period or event. Testing of current year receipts revealed two instances of incomplete or missing fundraiser documentation.

PLEASANT VIEW ELEMENTARY SCHOOL

- In accordance with Redbook requirements, monies collected by a teacher or sponsor shall be given to the school treasurer on the day collected or, if the monies are collected after school business hours for evening and weekend events, on the next business day. Testing of current year receipts revealed one instance of monies not being turned in to the school treasurer or deposited in a timely manner.
- The Multiple Receipt Forms (Form F-SA-6) were not adequately completed or timely prepared for all receipts. There was one instance identified in current year testing.
- Purchase Order Forms (Form F-SA-8) were not adequately completed or timely prepared for all disbursements. These forms must be obtained and approved prior to purchases of goods and/or services. There was one instance identified in current year testing.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT LETTER POINTS
June 30, 2018

BOSTON ELEMENTARY

- The Multiple Receipt Forms (Form F-SA-6) were not adequately completed or timely prepared for all receipts. There were three instances identified in current year testing.
- Purchase Order Forms (Form F-SA-8) were not adequately completed or timely prepared for all disbursements. These forms must be obtained and approved prior to purchases of goods and/or services. There was one instance identified in current year testing.
- Vendor invoices were not present or adequately documented for the receipt of merchandise ordered. There were three instances identified in current year testing.

MANAGEMENT'S RESPONSE

Training was held for all personnel involved with school activity funds, including principals and bookkeepers/office managers. They were instructed on the proper handling of school activity funds and will work with their staff and sponsors in their schools to resolve current year findings and to improve the management of their school activity accounts. The Chief Finance Officer and the Assistant Finance Officer will also be going to each school to work individually with each school to address specific needs at the schools.

2. FOLLOW-UP ON PRIOR YEAR RECOMMENDATIONS

Prior year recommendations were implemented and corrected except for four recommendations which are noted as repeat findings.